cancoil

Cancoil
Integrated
Services
Inc.

2001
annual
report

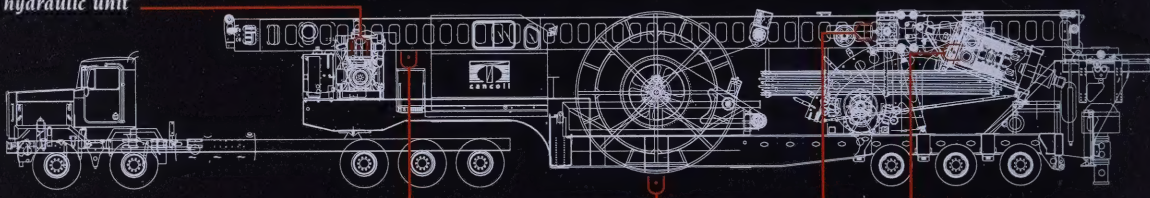
Many activities related to drilling and servicing oil and natural gas wells can be performed by continuous steel tubing (coil tubing) which is faster, safer and more effective than the traditional method of connecting short lengths of drill pipe together to feed into the wellbore.

Cancoil Integrated Services Inc. is a leading provider of high tech coil tubing services in Canada and the United States through it's U.S. subsidiary Technicoil Integrated Services Inc. We are committed to using leading edge technology, providing excellent customer service and delivering solid financial performance.

our new generation masted rig

Rig: *Single load, independently powered trailer unit with capacity to carry up to 6,890' (2,100 m) of 3.5" (88.9 mm) coil tubing. Work floor capable of carrying a 9" Class III drilling stack for fast, easy rig up. Trailer unit moves easily in one load and rigs up very quickly*

Power Unit: *Independent 400 HP Cummins hydraulic unit*



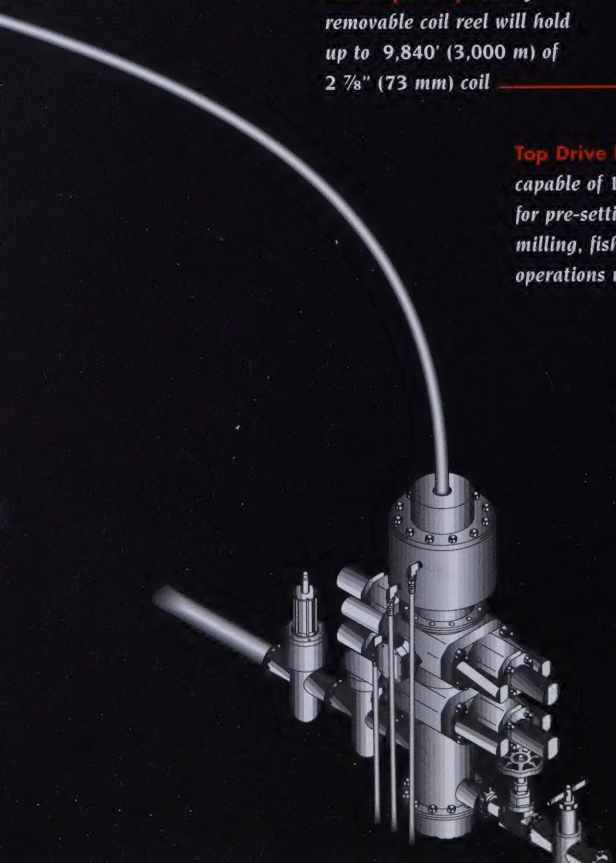
Mast: *Stiff single, freestanding 74' (22.6m) mast with load rating of 140,000 lbs (62,000 daN) – handles Range III casing & lubricates up to 60' (18.3m) bottom hole assembly*

Trailer: *24 wheel trailer with air ride suspension*

Coil Capability: *Easily removable coil reel will hold up to 9,840' (3,000 m) of 2 ⅞" (73 mm) coil*

Top Drive Equipped: *Integral top drive capable of 160 rpm & 10,000 ft/lbs torque for pre-setting surface casing or conducting milling, fishing or other downhole operations using standard oilfield tubulars*

Injector: *Injector will continuously pull up to 110,000 lbs (50,000 daN)*



Pipe Handling: *This rig will be matched up with Cancoil's unique pipe trailer complete with pipe tubs & hydraulic pipe handler for use with conventional drill pipe and casing*

y o u r ABOUT c o m p a n y

Coil tubing has significant advantages over traditional jointed pipe operations in certain applications related to drilling and servicing oil and natural gas wells. The continuous coil eliminates the need to connect short sections of pipe together to create the length of pipe needed to deliver well services. Coil tubing is faster and safer than jointed pipe especially when servicing wells under pressure or when conducting underbalanced drilling operations. Coil tubing is particularly effective in well fracturing applications as it enables a well with multiple producing zones to have every zone fractured in a single trip versus conventional jointed pipe fracturing methods that limit fracturing operations to one zone per day.

There are limitations to coil tubing that are mainly based on total weight limits for transportation and the fact that repeated bending and straightening of the coil off the reel limits the life of the coil compared to conventional drill pipe. Due to the limited weight that can be transported on our highways coil tubing drilling and fracturing operations have traditionally been limited to operations on wells less than 2,500 meters in depth. However, the majority or approximately 80% of land based wells in North America are within this depth limit. The costs associated with limited coil tubing life is a hurdle that coil tubing operators such as Cancoil must overcome by delivering increased speed and efficiency to customers by continuing to be innovative with our rigs and experimenting with new materials to extend coil life.

These graphs illustrate our rapid rig fleet growth and resulting revenue performance since the third quarter of 2000. Cancoil's fleet expansion began in earnest with the delivery of three rigs in the second quarter of 2000.

Fig 1 **Quarterly Rig & Revenue Growth** ($000's)

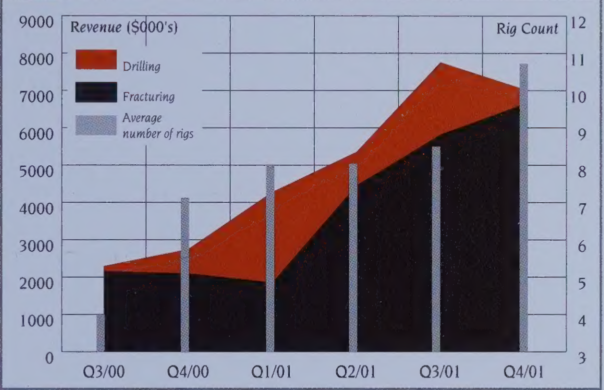


Fig 2 **Cumulative Rig & Revenue Growth**

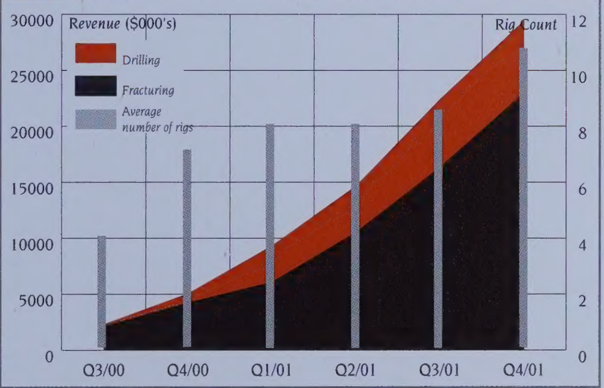
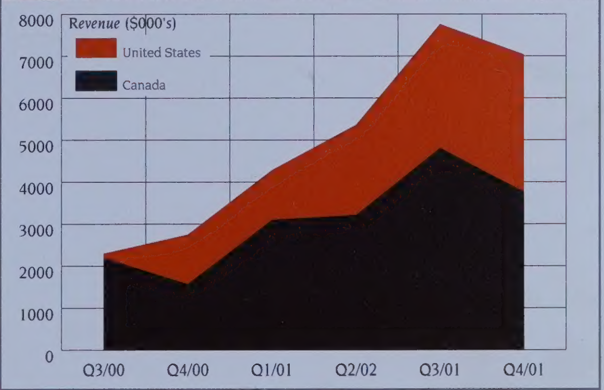


Fig 3 **Geographic Distribution of Quarterly Revenue**



REPORT to our shareholders

Overview

The year 2001 was a year of significant progress for Cancoil. Our rig fleet expanded from an average of five rigs in 2000 to an average of nine in 2001 with 12 rigs in service by year end. This increase in rig fleet combined with favourable market fundamentals and continuing support from our major customer, Halliburton Energy Services, resulted in a 343 percent increase in revenue from the previous year. Whereas these numbers are impressive they do not in themselves reflect the real change in Cancoil that occurred during the year. In the past year Cancoil changed from an interesting new start-up with unique technology to a company that has established itself as being capable of developing and operating high-tech coil tubing services that are the best in the industry. Our vision is to continue to be the leading high-tech coil tubing services provider to the oil and gas industry.

Key 2001 Achievements

- The development of an experienced management team and infrastructure to position Cancoil to effectively deal with future challenges and continued growth.
- The establishment of an operations base in Canada that provides technical and administrative support along with operational leadership to our rig managers and field crews.
- Significant expansion of our U.S. based business, a market that we believe has greater growth potential for coil tubing services than exists in the Canadian market.
- The development of conventional drilling as a core service offering. During 2001 we drilled 118 convention wells with our existing rigs. The experience gained from these projects allowed us to design and order new concept rigs and associated equipment that we believe will significantly improve both the reliability and depth capacity of coil drilling.
- In early January 2002, Cancoil purchased the 25% interest of its subsidiary company, Technicoil Integrated Services Inc., owned by E.A. (Andy) Rike, Jr. We are pleased that Mr. Rike has agreed to remain with the company as a vital member of our management team. This event will streamline the company administratively creating a seamless North America wide operation.
- Finally, the addition of $11.5 million of new assets while increasing debt by only $1.6 million without a new equity issue. Over the past two years Cancoil has invested over $22 million in leading edge coil tubing equipment. This investment positions Cancoil with increased earning potential while maintaining a strong balance sheet.

Outlook

Industry fundamentals are less favourable than a year ago. However, we recognize the cyclical nature of our business and remain optimistic about the long-term prospects of the North American natural gas industry, the basic driver of our coil tubing services.

Our rigs continue to be on the leading edge of coil tubing equipment today. We are confident that our customers will reward us for providing them with innovative, cost effective solutions that have reduced environmental impact.

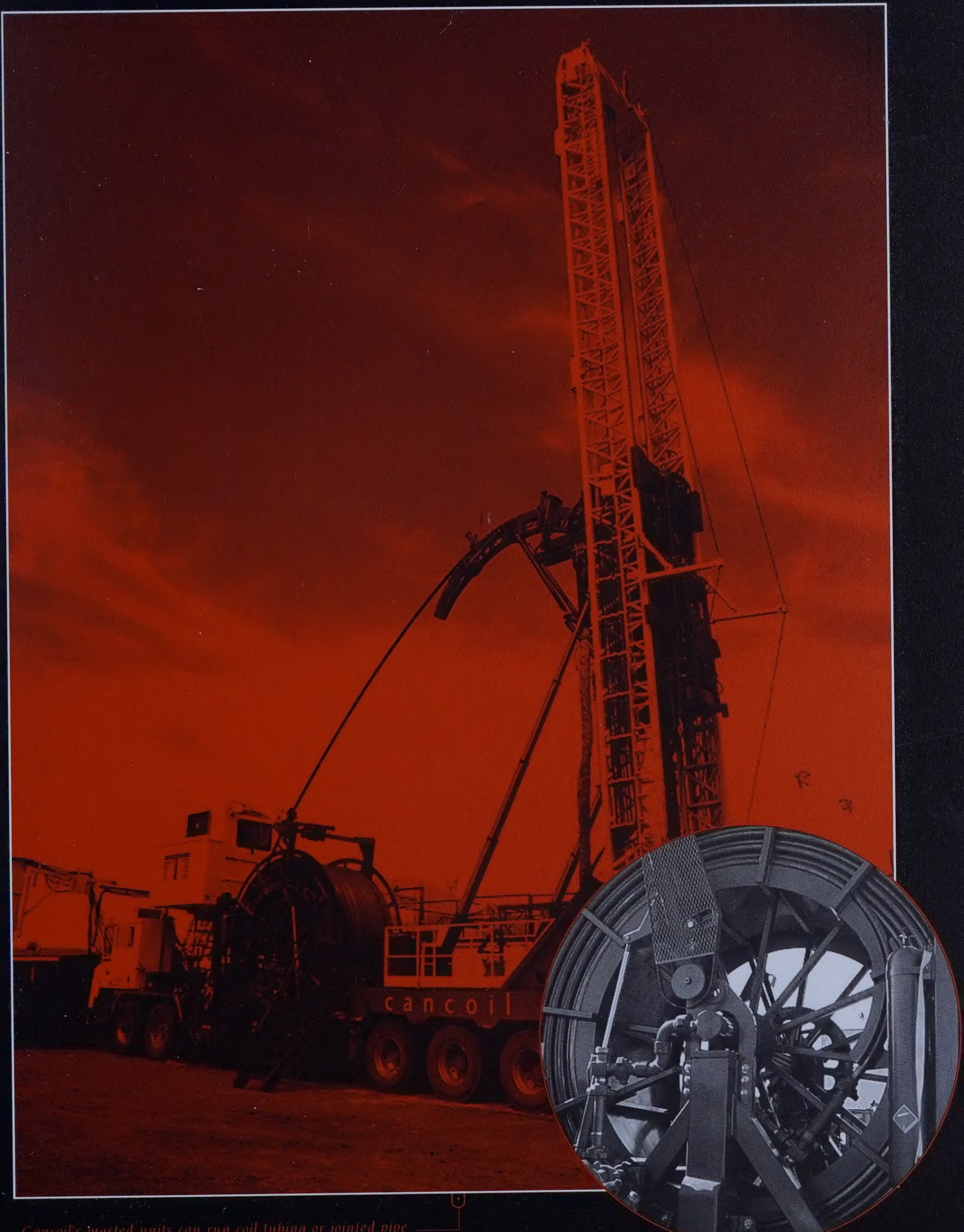
Acknowledgement

On behalf of the Cancoil management team I would like to thank our employees, customers and shareholders for the support, encouragement and guidance they have given us over the past year.

For and on behalf of the Board of Directors,

A E Dumont

Arthur E. Dumont
Calgary, Alberta
April 9, 2002



Cancoil's masted units can run coil tubing or jointed pipe

operations 2001 report

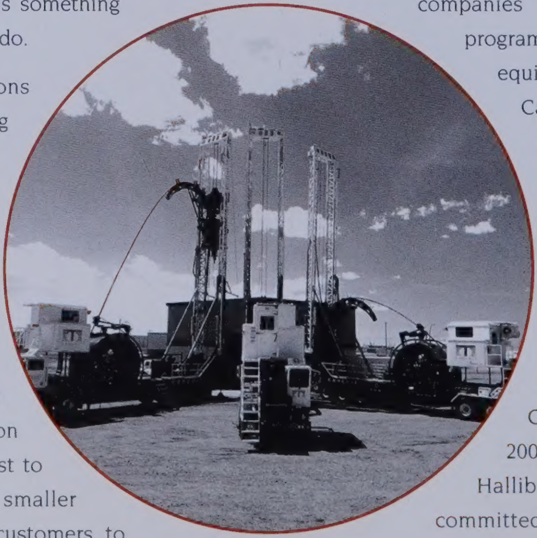
Cancoil entered 2001 with plans to continue to build and diversify its business as a pure play coil tubing company. Cancoil rigs have distinct advantages in terms of speed, cost effectiveness and minimal environmental impact when compared to both traditional and other coil tubing rigs.

Why Cancoil?

Cancoil focuses its entire product development effort on providing leading edge advanced coil tubing services to the oil and gas industry. We define advanced coil tubing as having a diameter of 2⅜ inches or greater. There are a large number of providers of small diameter coil tubing that perform simpler services on wells – a market that Cancoil does not attempt to serve.

The key advantages of Cancoil equipment are its compact size, high mobility and multi-faceted design. With a single rig Cancoil can conduct well fracturing, conventional drilling, directional drilling both on an under and overbalanced basis and numerous other services to oil and gas customers. The rigs are self-propelled and rig up quickly enabling fast commencement of operations once the worksite is reached. For example, Cancoil crews can arrive on site and be ready for fracturing operations in 20 minutes compared to one or more hours for our competitors. This speed is important to our well fracturing customers who often want to fracture multiple zones in two wells in a single day, which is something our competitors often cannot do.

For drilling operations Cancoil's integrated drilling system consists of six loads (seven in the winter), five of which are towed by contract truckers. This compares to typical conventional drilling systems that have eight to nine loads all requiring contract trucking from location to location increasing the cost to the customer. Cancoil's smaller footprint also enables our customers to build smaller drilling sites at lower cost and with less impact on the surrounding environment. A small site is particularly important to customers in the United States who are drilling on land governed by U.S. State or Federal Bureaus of Land Management (BLM). Large tracts of BLM land have recently been opened to oil and gas exploration and development. However, the BLM requires minimal environmental impact to be demonstrated if it is to allow drilling on these lands. It is with these efficiencies and benefits that Cancoil can offer services to customers at competitive costs.



How Well Did We Do In 2001?

After a year of tremendous growth in 2000 Cancoil continued on a rapid pace of expansion that saw its rig fleet grow from eight at the beginning of the year to 12 by the end of 2001. In addition, at the end of 2001 two new generation rigs were under construction for delivery in the second quarter of 2002. The new generation rigs are designed to deliver coil tubing services to greater depths with wider diameter coil than any other coil tubing system Cancoil is aware of today. United States operations began in 2000 under the Technicoil banner and became well established during 2001. By the end of the year a third of our rigs were working in the U.S.

The majority of Cancoil activities focused on coil fracturing of wells in Canada and the United States. Our customers for this service are other service companies that conduct the fracturing program and provide the pumping equipment. These customers use Cancoil's equipment as the conduit into the well bore through which they pump the fracturing sands and fluids. Coil fracturing represented 77 percent of Cancoil's revenue in 2001 and 86 percent of revenues in 2000. The majority of Cancoil's fracturing revenue in 2001 was from a contract with Halliburton Energy Services who committed to the use of Cancoil

equipment for their coil fracturing operations in Canada and the U.S. The current Halliburton contract expires on March 31, 2002. New contracts have been signed with Halliburton that will provide Cancoil with a solid base of business throughout 2002. Cancoil would like to thank Halliburton for its support as we grew the company and developed our technology in 2001.

Cancoil continued its effort to diversify services beyond coil fracturing in 2001. The primary effort in this regard was to build on Cancoil's drilling business. Cancoil had drilled its first wells on a pilot project basis in 2000. Coil tubing drilling is a new technology to the oil and gas industry. However, the potential is large as there are many customers and a large number of wells completed each year that can be competitively and effectively drilled with coil tubing technology.

2001 Summary Highlights:

- Cancoil rigs were involved in the fracturing of 779 wells through over 4,700 zones. Technicoil rigs fractured a further 136 wells.
- Cancoil drilled 90 wells including 6 directional wells and a further 12 underbalanced wells. Of these, 90 percent were drilled from surface while the remainder were re-entries of existing well bores.
- Technicoil drilled 28 wells including two directional and underbalanced wells. Of these, 93 percent were drilled from surface.
- Four new rigs and all related equipment for three complete drilling systems such as mud tanks and pumps, pipe handling equipment and combination trailers were commissioned during the year. The new rigs, similar in design to the first eight, incorporate design, mechanical and control advances which offer improved performance and maintenance characteristics.
- A new generation, trailer based coil tubing rig was designed with construction of two of these rigs well underway by the end of the year. To be delivered in the second quarter of 2002, these new rigs will focus on the drilling market with the ability to drill deeper than any other coil tubing rig on the market today.
- Design and implementation of a detailed, fleet wide preventive maintenance program that is expected to deliver significant maintenance cost savings over time.

Going Forward

Despite the current slowdown in activity Cancoil looks forward to solid growth prospects. Coil fracturing technology is only two years old and has significant potential for growth. Our new generation rigs will enable us to look at a broader range of drilling opportunities beyond the traditional shallow gas and coal bed methane drilling projects traditionally associated with coil tubing. Our drilling speed and small set up is just as attractive for deeper wells. Cancoil's customer breadth has already increased early in 2002 and we expect it to continue to increase for both fracturing and drilling.

Pursuit of new technology will continue. Cancoil has recently tested coil tubing made of composite materials versus steel. Composite coil tubing, using the latest in carbon fibre technology, has the potential to dramatically increase the performance life and reduce the cost of coil tubing. Testing is in its early stages, but we are optimistic about this new technology. Cancoil will take delivery of a number of new injectors in 2002. These new injectors will be installed on both existing and new rigs giving existing rigs greater depth capacity and meet the deeper needs of our new rigs.

Cancoil rigs are highly mobile and fast to rig up

management's 2001 discussion and analysis

This section provides management's review of operations for the year ended December 31, 2001. Balance sheet comparisons are made to December 31, 2000 while income statement and cash flow comparisons are made to the seven-month period ended December 31, 2000. Cancoil changed its fiscal year end in 2000 from May 31 to December 31. Certain seven month figures for 2000 are annualized to facilitate comparisons of equal time frames. The following discussion should be read with reference to the consolidated financial statements and notes.

Two key drivers significantly influenced Cancoil's financial results for 2001:

- an aggressive capital program that resulted in a 50 percent fleet increase during the year.
- a major contract was signed with Halliburton Energy Services Inc. that provides high utilization for a majority of the fleet for the period from April 1, 2001 to March 31, 2002.

The Halliburton agreement covered both Canada and the United States. By the end of 2001 Cancoil had four of its rigs working in the U.S. with its Technicoil subsidiary. The combined business of Cancoil and Technicoil are analyzed jointly in the following discussion as either the Company or Cancoil. Segmented information is provided in note 13 to the consolidated financial statements.

Net Income

Net income increased 769 percent for the year ended December 31, 2001 compared to the seven-month period ended December 31, 2000. On a diluted per share basis net income was $0.13 for the year ended December 31, 2001, compared to $0.02 for the seven month period ended December 31, 2000. If the seven month period in 2000 was annualized net income was up 407 percent.

Revenues

Revenues for the year ended December 31, 2001 increased 343 percent compared to the seven months ended December 31, 2000. Annualizing the seven-month period in 2000 the 2001 revenue increase was 158 percent. Higher revenues were driven by an increase in the rig fleet and higher utilization in 2001 compared to 2000. The average fleet size was 9 rigs for the year ended December 31, 2001 compared to an average of 5 rigs for the prior seven-month period. Significant revenue increases were realized in both of Cancoil's geographic markets. Additionally, progress continued in the development of additional revenue streams beyond coil fracturing with increased drilling revenue.

Coil fracturing remains as Cancoil's core business. However, drilling as a percent of revenue grew from 14 percent of revenues in the seven months ended December 31, 2000 to 23 percent in 2001. Revenue generated in the United States was 39 percent of total revenues in 2001, up from 23 percent in the seven month period ended December 31, 2000. The comparative revenue breakdown is as follows:

	Year Ended December 31, 2001	Seven Months Ended December 31, 2000
Canada		
Fracturing	**$ 11,994,747**	$ 4,086,584
Re-entry drilling	**402,508**	140,859
Conventional drilling	**2,510,089**	38,700
Total Canada	**14,907,344**	4,266,143
United States		
Fracturing	**6,794,971**	651,426
Re-entry drilling	**765,101**	285,949
Conventional drilling	**1,932,123**	302,535
Total United States	**9,492,195**	1,239,910
Consolidated revenue	**$24,399,539**	$ 5,506,053

Operating expenses

Operating expenses for the year ended December 31, 2001 were up 285 percent compared to the seven-month period ended December 31, 2000. On an annualized basis the increase was 125 percent. The increase reflects a higher volume of business due to the increased number of rigs in service for the period ended December 31, 2000. Operating expenses as a percent of revenue decreased by eight percent to 50 percent for the year ended December 31, 2001 compared to the prior seven-month period. The lower expense percentage was driven by higher utilization rates under strong contracts.

General and Administrative Expenses

General and administrative expenses for the year ended December 31, 2001 increased 98 percent compared to the seven-month period ended December 31, 2000. On an annualized basis the increase was only 15 percent. The increase in costs reflects increased staffing in Cancoil's head office in Calgary and its Houston office in support of Technicoil. As a percent of revenue general and administrative costs declined significantly to 10 percent compared to 21 percent for the seven-month period ended December 31, 2000. Management expected this decline as the company had added staff in 2000 to support the growth of the fleet throughout 2001. Further, management does not expect to require significant additional administrative staff to support anticipated growth in 2002.

Amortization Expense

Amortization expense increased 439 percent for the year ended December 31, 2001 compared to the seven-month period ended December 31, 2000. Cancoil's fleet increased from one to eight rigs in 2000 with a further increase to 12 in 2001. The higher amortization numbers reflect a full year's amortization of the much larger fleet entering 2001 combined with the additional expansion during the year.

Interest on Long-term Debt

Interest charges for the year ended December 31, 2001 were up 199 percent compared to the prior seven-month period. The capital program for the fleet expansion was financed by increases to our bank facilities in addition to cash flow and the conversion of common stock warrants.

Cash Flow

Cash flow from operations increased 681 percent for the year ended December 31, 2001 compared to the seven-month period ended December 31, 2000. On an annualized basis the 2001 cash flow was up 355 percent from 2000. The increased cash flow reflects the overall increase in business activity with high utilization levels and a larger rig fleet. On a diluted per share basis cash flow from operations for 2001 was $0.22, up 633 percent.

Investing Activities

Net capital spending for the year ended December 31, 2001 was almost unchanged from the seven-month period ended December 31, 2000 at $11.5 million vs. $11.4 million. Seven new rigs were delivered in the May to December 2000 period while four rigs and three integrated drilling systems were constructed in 2001. Additional spending in 2001 included $0.8 million for the field office, yard and shop equipment in Redcliff, Alberta. During the year Cancoil sold an under-utilized nitrogen pumper for total proceeds of $0.9 million.

Financing Activities

Company cash flow financed a majority of the 2001 capital program. Conversion of the "A" Warrants for cash proceeds of $1.5 million and an increase in long-term debt of $1.6 million financed the remainder of the capital program.

management's discussion and analysis

Assets and Liabilities

Working Capital

Accounts receivable and accounts payable increased 142 percent and 180 percent respectively at year-end December 31, 2001 compared to December 31, 2000. Both increases reflect the higher operating activity levels driven by the larger rig fleet. The current portion of long-term debt doubled to $2.9 million as debt increased. The loans for rig construction are repayable in terms varying from 24 to 48 months.

Overall working capital at December 31, 2001 was in a deficit position of $0.7 million, compared to the December 31, 2000 working capital deficit of $0.5 million. One of Cancoil's bank debt covenants stipulates that working capital balances excluding the current portion on long-term debt must remain above 1.25:1. At December 31, 2001 this ratio stood at 1.41:1.

Deposits on Capital Assets Under Construction

Cancoil's capital spending program has remained very active throughout the 2000 – 2001 period. When major equipment such as rigs and mud systems are ordered, deposits are provided to the manufacturer to fund design work and material purchases. Progress payments are also made as construction meets certain milestones. Due to the high construction activity levels throughout this two year period deposits on capital assets were at high levels each year end. The balance at December 31, 2001 of $4.9 million was up 12 percent from December 31, 2000 levels.

Long-term Debt

Long-term debt including the current portion at December 31, 2001 was $8.9 million, up 23 percent or $1.6 from December 31, 2000. The increase in debt was to fund the 2001 capital program that delivered a 50 percent larger rig fleet. In October 2001 the $1.5 million convertible debenture was converted at the election of the debenture holder for 3.0 million common shares, which reduced the overall debt burden.

Non-Controlling Interest

The non-controlling interest on the balance sheet at the end of December 31, 2001 was for the 25 percent minority interest in Cancoil's United States subsidiary, Technicoil. Cancoil had an agreement with the non-controlling shareholder who is an officer of the company to purchase the 25 percent interest on December 14, 2002 based on a market value calculation. Both parties agreed to enter negotiations to sell this interest to Cancoil at an earlier date to facilitate fuller integration of U.S. and Canadian operations and management. On January 10, 2002 Cancoil purchased the minority interest in Technicoil and became its 100 percent owner.

Liquidity and Capital Resources

Cancoil attempts to retain adequate financial flexibility to support its capital program through a combination of cash flow, bank debt and public equity financing. In 2001 equity funds of $1.5 million were raised on the exercise by the holder of the "A" Warrants that were originally issued in 1999. Cancoil has a $9.0 million bank debt agreement in place for the coil tubing rigs currently under construction of which $4.1 million was drawn at December 31, 2001. This bank facility, combined with expected cash flows are expected to be adequate to complete the current capital program that will see the rig fleet expand to 14 rigs, three of which will be combined with fully integrated drilling systems.

Significant improvements in Cancoil's debt and interest coverage ratios were shown at year-end 2001 compared to December 31, 2000. Strong cash flows, the "A" Warrant conversion and the convertible debt conversion all contributed to a strengthened balance sheet.

Debt Leverage and Interest Coverage Ratios

	Year Ended December 31, 2001	Seven Months Ended December 31, 2000 [1]
Long-term debt (including current portion) to equity (%)	**44**	58
Interest coverage – cash flow from operations [2] (times)	**13.5**	5.8
Long-term debt to cash flow from operations (times)	**1.3**	3.3

(1) *Seven months ended December 31, 2000 cash flow from operations and interest expense are annualized for these calculations.*

(2) *Cash flow from operations plus interest expense, divided by interest expense.*

Business Risks

The oil and gas service industry is inherently risky as its activity levels and resulting revenues are dependent on the activity level within the oil and gas exploration and production industry. Many factors impact the health of our customer base such as prices of oil, natural gas and natural gas liquids, ability to raise capital and the general financial health and prospects in the industry.

The Cancoil rig fleet is modern and uses the latest available operating technology. The activities we perform have risk implicit with their conduct. The Company has in place safety training and equipment maintenance programs. These programs, combined with our new rig technology, mitigate the risk of our operations.

Outlook

Cancoil is nearing the end of a rapid phase of growth that has seen its fleet grow from a single unit in early 2000 to a projected 14 coil tubing units and three complete drilling systems by the end of June 2002. The decline in crude oil and natural gas prices has caused our customers to be more cautious with their spending plans and many have announced reduced spending in 2002. Cancoil responded to the softening in customer spending by reducing its 2002 capital budget to build two new generation rigs instead of an original plan to build four new rigs. Management expects to continue to conduct a base of business with Halliburton but at significantly reduced levels compared to the contract that expired on March 31, 2002. However, with reduced requirements by Halliburton, the Company has equipment available to market to other customers particularly in the coil fracturing market. We are pleased to have worked with two additional coil fracturing customers early in 2002 and expect further work from these and other customers as Cancoil broadens its marketing efforts in Canada and the United States.

On the drilling side, despite current weak prices, management believes there is a bright future in natural gas drilling in both conventional and coal bed reservoirs to meet increasing demand. Natural gas is the "fuel of choice" for many new industrial and power generation projects. In Canada, major industry growth plans in tar sands development will also increase demand for this clean burning fuel. Cancoil's equipment is well suited for drilling shallow and medium depth wells and is particularly well suited for coal bed methane drilling. Canada's coal bed methane industry is still in its early stages with little commercial production established. The United States has experienced extensive coal bed methane development to the point where it now contributes approximately seven percent of U.S. natural gas produced.

management's discussion and analysis 2001

To date we have been very pleased with the performance of our technology especially in coil tubing fracturing. Cancoil has completed a number of drilling projects in the past year and early 2002. Certain programs experienced excellent periods of performance convincing management that Cancoil's technology is cost competitive while drilling faster than conventional drilling rigs. Well abandonment and cleanout work are other service areas where Cancoil's equipment can be used. However, we have not pursued opportunities in these areas and have no current plans for business in these other services.

Geographical expansion has been a success with our U.S. operation currently running four rigs on both drilling and fracturing operations. Coil tubing fracturing is a new technology and was only introduced in the United States in November 2000 by Halliburton working with Cancoil. Management believes there is significant opportunity for growth in the U.S. On the drilling side, Cancoil is attractive to customers in the United States because of its ability to demonstrate minimal environmental disturbance when drilling on lands administered by U.S. federal and state authorities.

The company's debt levels likely peaked near year-end 2001. The majority of the cash required to complete the two new generation rigs was on deposit with the manufacturer by the end of 2001. After completion of these rigs a modest capital program is planned until such time as management sees a more robust customer spending environment. Cash flows will be mainly targeted to reducing debt during 2002, ensuring that financial flexibility is maintained.

Corporate Governance

During 2000 Cancoil established a corporate governance committee comprised of two independent directors and the Chairman. The committee has the following mandate:

- review annually the composition and mandates of the board of directors and its committees, assess their effectiveness and recommend amendments to mandates or committees as believed necessary or desirable.
- consider and, if thought fit, approve requests from directors or committees of directors of the engagement of special advisors from time to time.
- maintain a list of potential candidates for board membership and where appropriate interview potential candidates for board membership.
- ensure adequate succession plans are in place for the office of President and Chief Executive Officers.

Board Composition and Activity

Cancoil's Board is comprised of eight directors, including five independent directors. At regularly scheduled meetings the Board or Committees of the Board discuss reports from management, and review the company's overall financial position and operations. Based on these discussions and assessments, the Company's business issues and plans are reviewed. An operating and capital budget is approved prior to the beginning of each fiscal year. Detailed monthly financial and operating reports are received by Board members to monitor the progress of the Company against such budgets and to keep abreast of the Company's activities.

Cancoil's small footprint has minimal environmental impact

Management's report to the shareholders

The accompanying financial statements and all information in this annual report are the responsibility of management and the Board of Directors of the Company. The financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles and include certain estimates that reflect management's best judgments. The financial and operating information presented in the Annual Report is consistent with that shown in the financial statements.

Management maintains an appropriate system of internal controls, which ensure transactions are appropriately authorized and accurately recorded, assets are safeguarded and financial records are properly maintained.

External auditors, appointed by the shareholders, have conducted an examination of the financial statements and have provided an independent professional opinion. The Audit Committee, appointed by the Board of Directors and comprised of a majority of directors which are not officers or employees of the Company, has reviewed the financial statements with management and the external auditors and has reported to the Board of Directors. The Board has approved the financial statements.

A E Dumont

Arthur E, Dumont
Chairman, President and Chief Executive Officer

Dell Chapman

Dell P. Chapman
Vice President Finance and Chief Financial Officer

Calgary, Alberta
March 12, 2002

Auditors' report to the shareholders

We have audited the consolidated balance sheets of Cancoil Integrated Services Inc. as at December 31, 2001 and 2000 and the consolidated statements of operations and retained earnings and cash flows for the year ended December 31, 2001 and the seven months ended December 31, 2000. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Corporation as at December 31, 2001 and 2000 and the results of its operations and its cash flows for the year ended December 31, 2001 and the seven months ended December 31, 2000 in accordance with Canadian generally accepted accounting principles.

KPMG LLP

Chartered Accountants

Calgary, Canada

March 12, 2002

CONSOLIDATED financial statements

Year ended December 31, 2001 and seven months ended December 31, 2000

Consolidated Balance Sheets

December 31,	2001	2000
Assets		
Current assets:		
Cash and cash equivalents	**$ 1,439,152**	$ –
Accounts receivable	**5,967,712**	2,469,302
Prepaid expenses	**242,094**	237,948
Due from shareholder (*note* 8,12)	**60,000**	60,000
	7,708,958	2,767,250
Capital assets under construction (*note* 3, 11)	**4,935,102**	4,417,337
Capital assets (*note* 4)	**24,269,962**	14,533,884
	$36,914,022	$ 21,718,471
Liabilities and Shareholders' Equity		
Current liabilities:		
Bank operating loan (*note* 5)	**$ 1,150,000**	$ 160,179
Accounts payable and accrued liabilities	**4,307,608**	1,539,266
Current portion of long-term debt (*note* 6)	**2,939,750**	1,470,729
Deferred revenue	**–**	100,232
	8,397,358	3,270,406
Long-term debt (*note* 6)	**5,987,950**	4,307,500
Convertible debenture (*note* 7)	**–**	1,500,000
Future income taxes (*note* 10)	**1,680,013**	65,341
Non-controlling interest	**318,015**	40,039
Shareholders' equity:		
Capital stock (*note* 9)	**15,255,672**	12,040,907
Retained earnings	**5,275,014**	494,278
	20,530,686	12,535,185
Commitments (*note* 11)		
Subsequent event (*note* 12)		
	$36,914,022	$ 21,718,471

See accompanying notes to consolidated financial statements.

Approved on behalf of the Board:

Arthur E. Dumont — Director

Peter Gross — Director

CONSOLIDATED financial statements

Year ended December 31, 2001 and seven months ended December 31, 2000

Consolidated Statements of Operations and Retained Earnings

	Year ended December 31, 2001	Seven months ended December 31 2000
Coil tubing service and drilling revenues	$24,399,539	$ 5,506,053
Expenses:		
Operating	12,209,698	3,168,194
General and administrative	2,330,136	1,178,551
Amortization	1,415,074	442,409
Gain on sale of capital asset	(189,749)	–
Interest on long-term debt	638,208	213,614
Interest income	(25,132)	(75,876)
	16,378,235	4,926,892
Net income before tax and non-controlling interest	8,021,304	579,161
Income tax expense (*note* 10):		
Current	1,270,741	–
Future	1,691,851	65,341
	2,962,592	65,341
Non-controlling interest in net loss (income) of subsidiary	(277,976)	36,148
Net income for the period	4,780,736	549,968
Retained earnings (deficit), beginning of period	494,278	(55,690)
Retained earnings, end of period	$ 5,275,014	$ 494,278
Net earnings per share (*note* 9):		
Basic	$ 0.17	$ 0.02
Diluted	$ 0.13	$ 0.02

See accompanying notes to consolidated financial statements.

CONSOLIDATED financial statements

Year ended December 31, 2001 and seven months ended December 31, 2000

Consolidated Statements of Cash Flows

	Year ended December 31, 2001	Seven months ended December 31 2000
Cash provided by (used in):		
Operating activities:		
Net income for the year	**$ 4,780,736**	$ 549,968
Add (deduct) non-cash items:		
Amortization	**1,415,074**	442,409
Gain on sale of capital asset	**(189,749)**	–
Future income tax	**1,691,851**	65,341
Non-controlling interest	**277,976**	(36,148)
Cash flow from operations	**7,975,888**	1,021,570
Net change in non-cash working capital	**(834,446)**	(640,478)
	7,141,442	381,092
Financing activities:		
Common Shares and Special Warrants issued	**1,637,586**	4,850,909
Increase in long-term debt	**3,149,471**	4,325,625
	4,787,057	9,176,534
Investing activities:		
Acquisition of capital assets	**(11,865,876)**	(9,218,473)
Capital assets under construction	**(517,765)**	(2,192,431)
Proceeds on sale of capital asset	**904,473**	–
	(11,479,168)	(11,410,904)
Net increase (decrease) in cash and cash equivalents	**449,331**	(1,853,278)
Cash and cash equivalents (less bank operating loan), beginning of period	**(160,179)**	1,693,099
Cash and cash equivalents (less bank operating loan), end of period	**$ 289,152**	$ (160,179)
Cash flow from operations per share (*note* 9):		
Basic	**$ 0.28**	$ 0.04
Diluted	**$ 0.22**	$ 0.03
Cash interest paid	**$ 634,508**	$ 190,363

See accompanying notes to consolidated financial statements.

to consolidated NOTES financial statements

Year ended December 31, 2001 and seven months ended December 31, 2000

1. Incorporation/nature of business:

Cancoil Integrated Services Inc. (the "Corporation") is incorporated under the laws of the Province of Alberta and is in the business of providing coiled tubing drilling and integrated services to the oil and gas industry.

2. Significant accounting policies:

(a) Basis of presentation:

The consolidated financial statements include those of the Corporation and its 75% owned subsidiary, Technicoil Integrated Services Inc. (see note 12 for subsequent event). These consolidated financial statements have been prepared by management in accordance with accounting principles generally accepted in Canada.

(b) Cash and cash equivalents:

Cash and cash equivalents include cash in banks and term deposits with a maturity period of three months or less.

(c) Capital assets are recorded at cost. Amortization is provided over the useful lives as follows:

Assets	Method
Land	not amortized
Buildings	40 years straight-line
Office and computer equipment	3 years straight-line
Coiled tubing rigs and ancillary equipment	15 years straight-line

(d) Revenue recognition:

The Corporation recognizes revenue at the time services are rendered and rigs made available.

(e) Income taxes:

The Corporation follows the liability method of tax allocation accounting, whereby temporary differences arising from the difference between the tax basis of an asset or liability and its carrying amount on the balance sheet are used to calculate future income tax liabilities or assets. Future income tax liabilities or assets are calculated using tax rates anticipated to apply in the periods that the temporary differences are expected to reverse.

(f) Stock-based compensation:

The Corporation has a stock option plan that is described in note 9. No compensation expense is recognized for this plan when stock options are issued to directors, officers and employees. Any consideration paid on the exercise of stock options is credited to share capital.

An officer of the Corporation is paid in stock rather than cash. The stock is issued by the Corporation at the outset of each year, held in escrow, and released to the officer throughout the year. The stock is capitalized at market value at the time it is issued. Compensation expense is recorded monthly based upon the issued value of the shares released. In 2001 the Corporation issued and released to the officer 110,000 shares capitalized at $1.10 per share. As at December 31, 2001, there were no shares remaining in escrow for the officer.

(g) Per share amounts:

Basic per share amounts are computed using the weighted average number of shares outstanding of 28,973,513 for twelve months ended December 31, 2001 (27,076,067 for the seven months ended December 31, 2000).

The Corporation uses the treasury stock method to determine the dilutive effect of stock options and other dilutive instruments. Under the treasury stock method, only "in the money" dilutive instruments impact the diluted calculations in computing diluted earnings per share. The dilutive effect of employee stock options and warrants of 7,789,878 shares were added to the basic weighted average number of common shares outstanding during the year ended December 31, 2001 (for the seven months ended December 31, 2000 – 5,406,938). No adjustments were required to reported earnings in computing diluted per share amounts. A total of 2,382,317 (for the seven months ended December 2000 – 648,981) options and warrants were excluded from the diluted calculations, as they were anti-dilutive.

NOTES to consolidated financial statements

Year ended December 31, 2001 and seven months ended December 31, 2000

(h) Use of estimates:

The preparation of financial statements in conformity with accounting principles generally accepted in Canada requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from these estimates.

(i) Foreign currency translation:

The accounts of the Corporation's U.S. subsidiary are translated into Canadian dollars with monetary items translated at exchange rates in effect at the balance sheet date and non-monetary items translated at rates of exchange in effect when the assets were acquired or obligations incurred. Revenues and expenses are translated at rates in effect at the time of the transactions. Foreign exchange gains and losses are included in income.

(j) Comparative figures:

Certain comparative figures have been reclassified to conform to the current year's financial statement presentation.

3. Capital assets under construction:

	2001	2000
Deposits towards construction of capital equipment (note 11)	**$3,285,659**	$4,201,425
Components parts purchased for capital equipment under construction	**1,649,443**	215,912
	$4,935,102	$4,417,337

4. Capital assets:

	Cost	Accumulated amortization	Net book value
2001			
Land	**$ 167,409**	**$ –**	**$ 167,409**
Building	**620,491**	**15,494**	**604,997**
Office and computer equipment	**804,165**	**222,621**	**581,544**
Coiled tubing rigs and ancillary equipment	**24,670,021**	**1,754,009**	**22,916,012**
	$ 26,262,086	**$ 1,992,124**	**$ 24,269,962**
2000			
Office and computer equipment	$ 334,925	$ 59,848	$ 275,077
Coiled tubing rigs and ancillary equipment	14,891,697	632,890	14,258,807
	$ 15,226,622	$ 692,738	$ 14,533,884

5. Operating loan:

At December 31, 2001, the Corporation had a credit facility available to a maximum of $3,000,000 bearing interest at bank's prime rate plus 1.25% or 5.25% per annum (8.75% December 31, 2000). This facility is secured by a general security agreement with fixed and floating charge on all the Corporation's assets.

NOTES to consolidated financial statements

Year ended December 31, 2001 and seven months ended December 31, 2000

6. Long-term debt:

	2001	2000
Reducing demand loan repayable in 24 equal monthly installments of $33,646 until maturity in December 2003	$ 807,500	$ 1,244,896
Reducing demand loan repayable in 33 equal installments of $33,333 until maturity in September 2004	1,100,000	1,533,333
Reducing demand loan repayable in 48 equal installments of $50,000 until maturity in December 2005	2,400,000	3,000,000
Reducing demand loan repayable in 36 equal installments of $250,000 per month until maturity, prorated to $31,250 per rig as each rig is put into service. The monthly installments as at December 31, 2001, were $125,000 (December 31, 2000 – nil)	4,089,200	–
Building and Land Mortgage repayable in 183 equal installments of $3,000 until maturity in September 2016	531,000	–
	8,927,700	5,778,229
Less current portion	2,939,750	1,470,729
	$ 5,987,950	$ 4,307,500

The reducing demand loans bear interest at the bank's prime rate plus 1.5% or 5.5% per annum as at December 31, 2001 (December 31, 2000 – 9.0%). Pursuant to the credit agreement, the Corporation is subject to certain restrictive covenants and the maintenance of financial ratios. The loans are secured by a general security agreement with fixed and floating charge on all of the Corporation's assets with the exception of the Corporation's operations facility in Redcliff, Alberta.

The mortgage loan bears interest at the lender's Floating Base Rate plus 0.5% or 6.5% per annum as at December 31, 2001, and is secured by a first registered general assignment of rents and a first mortgage against the operation facility's land and buildings.

The principal amount of long-term debt to be repaid subsequent to December 31, 2001 is:

2002	$ 2,939,750
2003	2,939,750
2004	2,025,200
2005	636,000
2006 and thereafter	387,000
	$ 8,927,700

7. Convertible debenture:

Pursuant to conversion of the warrants issued in connection with the private placement described in note 9, the Corporation issued a 7% non-redeemable convertible debenture, which would have matured on April 11, 2003 and was secured by first fixed charge on one coiled tubing unit. In October 2001 this debenture was converted, in its entirety, at the option of the holder, to 3,000,000 common shares of the Corporation at the conversion price of $0.50 per share.

8. Related party transactions:

A shareholder who is a director and officer has a non-interest bearing and unsecured note for $60,000 that is due on March 16, 2002 (see note 12 for subsequent event).

9. Capital stock:

(a) Authorized:

Unlimited number of Common Shares.

Unlimited number of Preferred Shares, issuable in series.

(b) Common Shares and Warrants issued and outstanding:

	Number of Shares	Number of Warrants "A"	"Special"	"Purchase"	Amount
Balance at December 31, 2000	27,121,667	3,000,000	4,545,455	–	$ 12,040,907
Future tax benefit on share and warrant issue costs	–	–	–	–	68,765
Issued as compensation to an officer	110,000	–	–	–	121,000
Issued on exercise of stock options for cash	50,000	–	–	–	25,000
Issued on Debenture conversion	3,000,000	–	–	–	1,500,000
Class "A" Warrants exercised for cash	3,000,000	(3,000,000)	–	–	1,500,000
Special Warrants exercised	4,545,455	–	(4,545,455)	–	–
Purchase Warrants issued upon exercise of Special Warrants	–	–	–	2,272,728	–
Balance at December 31, 2001	**37,827,122**	**–**	**–**	**2,272,728**	**$15,255,672**

Under the private placement of shares made on October 29, 1999, the Corporation issued 8,000,000 units for total proceeds of $3,000,000. Each unit was comprised of one Common Share of the Corporation and 0.375 "A" Warrant and 0.375 "B" Warrant. Each whole "A" Warrant together with $0.50 entitled the holder to acquire one Common Share of the Corporation for a period of 2 years, up to October 29, 2001. All "A" Warrants were exercised in October 2001, and 3,000,000 Common Shares were issued for cash consideration of $1,500,000.

Each whole "B" Warrant together with $0.50 entitled the holder to either: acquire one Common Share of the Corporation for a period of 2 years, up to October 29, 2001, or purchase a 7% non-redeemable convertible debenture from the Corporation in the principal amount of up to $1,500,000 for a period of 2 years, up to October 29, 2001. All of the "B" Warrants were exercised on April 11, 2000 with the purchase of a convertible debenture. In October 2001 the debenture holder converted the debenture to 3,000,000 Common Shares (note 7).

Under the private placement of "Special Warrants" made on November 9, 2000, the Corporation issued 4,545,455 "Special Warrants" at $1.10 each for gross proceeds of $5,000,000 and net proceeds of $4,815,010 after finance costs. Each "Special Warrant" entitled the holder to acquire one common share and one half of one "Common Share Purchase Warrant" at no additional cost no later than November 9, 2001. Upon exercise of all "Special Warrants", 4,545,455 Common shares and 2,272,728 "Common Share Purchase Warrants" would be issued. The "Common Share Purchase Warrants" together with $1.25 entitle the holder to acquire one Common Share. The "Common Share Purchase Warrants" are exercisable up to November 8, 2003. Should all the "Common Share Purchase Warrants" be exercised, 2,272,728 common shares would be issued for a cash consideration of $2,840,910. The "Special Warrants" were exercised and the "Common Share Purchase Warrants" issued in November 2001. As at December 31, 2001, no "Common Share Purchase Warrants" have been exercised.

to consolidated NOTES financial statements

Year ended December 31, 2001 and seven months ended December 31, 2000

(c) Stock option plan:

The Corporation has a fixed stock option plan under which it may grant up to 20% of its Common Shares outstanding to directors officers and employees subject to shareholder approval. At December 31, 2001, the Corporation had approval to grant up to 5,408,333 common shares under the stock option plan of which 2,740,333 remain available for granting (December 31, 2000 - 2,878,333). Option prices and vesting terms are determined by the directors at granting. A general condition of the plan is that one third of options granted shall vest annually on the anniversary date. The term of options granted does not exceed five years.

At December 31, 2001, options were outstanding for the issue of 2,238,000 Common Shares to directors, officers and employees of the Corporation.

Changes in the number of options with their weighted average exercise price are summarized below:

	Year ended December 31, 2001		Seven months ended December 31, 2000	
	Shares (000's)	**Weighted average exercise price**	Shares (000's)	Weighted average exercise price
Fixed options				
Outstanding, beginning of period	**2,150,000**	**$ 0.57**	1,775,000	$ 0.41
Granted	**438,000**	**1.21**	550,000	1.05
Exercised	**(50,000)**	**0.50**	(80,000)	0.50
Forfeited	**(300,000)**	**1.03**	(95,000)	0.50
Outstanding, end of period	**2,238,000**	**$ 0.63**	2,150,000	$ 0.57
Options exercisable, end of period	**1,049,999**	**$ 0.40**	566,667	$ 0.22
Weighted average fair value of options granted during the period		**$ 1.21**		$ 1.05

The following table summarizes information about fixed stock options outstanding at December 31, 2001:

	Options Outstanding			Options Exercisable	
Range of Exercise Prices	Number Outstanding	Weighted-Average Remaining Life	Weighted-Average Exercise Price	Number Exercisable	Weighted-Average Exercise Price
$ 0.01 – 0.10	400,000	1.17	0.10	400,000	0.10
0.11 – 0.80	1,150,000	3.07	0.50	549,999	0.50
1.01 – 1.50	688,000	4.10	1.17	100,000	1.10
$ 0.01 – 1.50	2,238,000	3.05	0.63	1,049,999	0.40

to consolidated NOTES financial statements

Year ended December 31, 2001 and seven months ended December 31, 2000

(d) Earnings per share:

Earnings per Common Share is calculated using the weighted average number of Common Shares outstanding during the period. The weighted average number of Class A Common Shares outstanding for the twelve months ended December 31, 2001, and the seven months ended December 31, 2000 are as follows:

	2001	2000
Weighted average number of common shares outstanding during the year	**28,973,513**	27,076,067
Diluted weighted average number of common shares outstanding during the year	**36,763,391**	32,483,005

(e) Shares in escrow:

Of the Common Shares issued to date 571,666 shares held by insiders in relation to the Corporation's initial major transaction are held in escrow and may not be released from escrow and traded without the written consent of the appropriate regulatory authorities. These shares are scheduled to be released May 31, 2002.

10. Income taxes:

The provision for income taxes differs from the amount obtained by applying the combined Federal and Provincial income tax rates before income taxes. The difference relates to the following items:

	2001	2000
Statutory income tax rate	**42.1%**	44.6%
Expected income tax	**$ 3,259,941**	$ 274,550
Changes resulting from:		
Unrecognized benefit of subsidiary loss	**–**	48,391
Share issue costs deduction	**–**	(31,000)
Reduction in enacted tax rates	**(300,559)**	–
Reversal of future tax valuation allowance	**(57,217)**	(236,930)
Large Corporations Tax	**46,027**	–
Non-deductible items	**14,400**	10,330
	$ 2,962,592	$ 65,341

The components of the net future income tax liability at December 31 are as follows:

	2001	2000
Future income tax assets:		
Benefit of non-capital losses	**$ –**	$ 716,508
Share issue costs	**111,992**	184,989
	111,992	901,497
Less: Valuation allowance	**–**	(37,958)
Net future income tax assets	**111,992**	863,539
Future income tax liabilities:		
Capital assets	**(1,792,005)**	(928,880)
	$ (1,680,013)	$ (65,341)

The Corporation has non-capital losses of $nil (2000 - $1,521,000). In addition Technicoil Integrated Services Inc. has operating losses of $nil (2000 - $200,000).

The Corporation has undepreciated capital cost allowance pools amounting to approximately $19,247,000 at December 31, 2001 (2000 - $12,400,000). The Corporation claimed maximum capital cost allowance amounting to approximately $4,574,000 at December 31, 2001 (2000 - $1,370,000).

Cash taxes paid in the year ended December 31, 2001 was $19,000 ($nil in the seven months ended December 31, 2000).

11. Commitments:

(a) The Corporation has made deposits in the aggregate amount of $3,285,659 toward the construction of capital equipment and is committed to further expenditures in the aggregate amount of $1,293,249 to complete their construction.

(b) The Corporation has annual commitments for operating leases as follows:

Year ending December 31	Vehicles	Premises	Total
2002	$ 201,607	$ 112,140	$ 313,747
2003	135,392	27,357	162,749

12. Subsequent events:

On February 4, 2002, the Corporation forgave the $60,000 unsecured note due from a shareholder who is a director and officer.

On January 10, 2002, effective January 1, 2002, the Corporation purchased from the single non-controlling interest holder, who is also an officer and director of the Corporation, the remaining 25% of Technicoil Integrated Services Inc. not already owned by the Corporation. Consideration for the purchase was 850,000 common shares of Cancoil issued from treasury, valued at $0.80 per share, and USD $685,000 in cash.

The purchase consideration amounting to $1,758,600 includes minority interest of $318,015 and goodwill of $1,440,585.

NOTES to consolidated financial statements

Year ended December 31, 2001 and seven months ended December 31, 2000

13. Segmented information:

	Year ended December 31, 2001			Seven months ended December 31, 2000		
	Canada	**U.S.**	**Total**	Canada	U.S.	Total
Revenue:						
Drilling	**$ 2,912,597**	**$ 2,697,224**	**$ 5,609,821**	$ 179,559	$ 656,391	$ 835,950
Well services	**11,994,747**	**6,794,971**	**18,789,718**	4,077,121	592,982	4,670,103
	14,907,344	**9,492,195**	**24,399,539**	4,256,680	1,249,373	5,506,053
Expenses:						
Operating	**7,381,080**	**4,880,350**	**12,261,430**	2,283,667	884,527	3,168,194
	7,526,264	**4,611,845**	**12,138,109**	1,973,013	364,846	2,337,859
Administration	**1,581,715**	**748,055**	**2,329,770**	850,978	327,573	1,178,551
Amortization	**1,390,945**	**24,129**	**1,415,074**	442,409	–	442,409
Gain on sale of capital asset	**(189,749)**	**–**	**(189,749)**	–	–	–
Interest and other	**631,646**	**(69,936)**	**561,710**	145,957	(8,219)	137,738
Inter-segment	**(2,230,434)**	**2,230,434**	**–**	(180,629)	180,629	–
Income taxes	**2,395,332**	**567,260**	**2,962,592**	65,341	–	65,341
Minority interest	**–**	**277,976**	**277,976**	–	(36,148)	(36,148)
Net income	**3,948,809**	**833,927**	**4,780,738**	648,957	(98,989)	549,968
Assets	**24,052,285**	**217,677**	**24,269,962**	14,489,874	44,010	14,533,884
Inter-segment assets leased	**(8,205,604)**	**8,205,604**	**–**	(3,532,354)	3,532,354	–
Assets employed	**$ 15,846,681**	**$ 8,423,281**	**$ 24,269,962**	$ 10,957,520	$ 3,576,364	$ 14,533,884
Capital expenditures, net	**$ 11,471,121**	**$ 197,796**	**$ 11,668,917**	$ 11,366,895	$ 44,010	$ 11,410,905

14. Financial instruments:

(a) Credit risk and economic dependence:

A substantial portion of the accounts receivable are with customers in the petroleum and natural gas industry and are subject to normal industry credit risk. Customers are subject to an internal credit review to minimize the risk of non-payment.

The Corporation has a significant exposure to a major customer for whom work is performed in both Canada and the United States. This customer is a major international energy corporation and is not considered to be a risk. For the year ended December 31, 2001, 69% or $16,940,000 of the Corporation's revenue was derived from this customer (88% or $4,863,000 for the seven months ended December 31, 2000). The current contract under which the revenue is generated terminates on March 31, 2002.

(b) Interest rate risk:

As at December 31, 2001, the Corporation was exposed to floating interest rates with respect to its bank indebtedness.

(c) Fair values:

The fair values of accounts receivable and accounts payable approximate their carrying values due to their short-term nature.

The fair value of the term loan approximates its carrying value due to its floating rate nature.

INFORMATION for shareholders

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Subsidiary

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Fax: (281) 679-8382

Email: info@technicoil.net
Website: www.technicoil.net

Annual Meeting

Cancoil's Annual General Meeting will be held on Wednesday, May 22nd, 2002 at 3:00 pm in the Viking Room of the Calgary Petroleum Club, 319 – 5th Avenue S.W., Calgary, Alberta.

Directors

Mark Andreychuk [1,4]
Senior Vice President, Business Development
Cancoil Integrated Services Inc.
Calgary, Alberta, Canada

Arthur E. Dumont [3]
Chairman, President & CEO
Cancoil Integrated Services Inc.
Calgary, Alberta, Canada

Douglas Freel [1,3,4]
Senior Investment Analyst
ARC Financial Corporation
Calgary, Alberta, Canada

Peter Gross [1,2]
Vice President, Operations
Viking Management Ltd.
Calgary, Alberta, Canada

J. Lindsay Hood [2,3]
Senior Vice President & Director
ARC Financial Corporation
Calgary, Alberta, Canada

John Niedermaier [1,2,4]
Oil & Gas Service Industry Executive
Calgary, Alberta, Canada

E. A. (Andy) Rike, Jr. [4]
President
Technicoil Integrated Services Inc.
Houston, Texas, U.S.A.

Robert D. Steele
Advisory Executive
Calgary, Alberta, Canada

(1) *Member of Audit Committee*
(2) *Member of Compensation Committee*
(3) *Member of Corporate Governance Committee*
(4) *Member of Health, Safety and Environment Committee*

Officers

Arthur E. Dumont, P. Eng.
Chairman, President & CEO

Mark Andreychuk, P. Eng.
Senior Vice President, Business Development

W.P. (Dell) Chapman, C.A., C.F.A.
Vice President, Finance & CFO

Colin B. Murch, P.Eng., M.B.A.
Vice President, Operations

E.A. (Andy) Rike, Jr.
President, Technicoil Integrated Services Inc.

William D. Dittmer, C.A.
Secretary

Transfer Agent and Registrar

Computershare Investor Services Inc.
Calgary, Alberta, Canada

Auditors

KPMG
Calgary, Alberta, Canada

Legal Counsel

McLeod & Company
Calgary, Alberta, Canada

Investor Relations

Dell Chapman
Vice President, Finance & CFO
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cancoil

Integrated Services Inc.

2001

annual report

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